

Washington State Health Care Authority

ADVISORY TEAM MEETING SUMMARY

K-12 HEALTH BENEFITS REPORT PROJECT

WEDNESDAY, OCTOBER 27, 2011

PUGET SOUND EDUCATIONAL SERVICES DISTRICT

800 OAKESDALE AVENUE SW, RENTON, WA 98507

9 A.M. – NOON

PURPOSE:

- Provide an update about the Report's research and timing
- Clarify the report scope, process to develop it and decision-making on policies
- Review existing governance structures and a potential structure for a consolidated system
- Share and discuss a cost projection straw man

Meeting Facilitators:

Peter Summerville, rialto-Pyramid
Tim Barclay, Milliman

Materials:

- Agenda
- Governance PowerPoint
- Transparency and Equity Definitions

Additional Leadership and Support Team Members:

John Williams, HCA
Richard Onizuka, HCA
Mary Fliss, HCA
Brittany Kingery, HCA
Linda Blankenship, Camray Consulting
Denise Rhiner, rialto-Pyramid
Michael Pickett, Point B

Additional Resources:

<http://www.hca.wa.gov/k12report>

Present in the meeting in-person or conferenced-in:

Pete Cutler, Office of the Insurance Commissioner
John Kvamme, WASA
Debra Long, WA State School Directors' Association
Debra Campbell, WA Association of School Business Officials
Merilee Miron, American Federation of Teachers
Doug Nelson, Public School Employees of WA, SEIU 1948
Randy Parr, WEA
David Westberg, Joint Council of Stationary Engineers AFL/CIO

Lyn Felker, Premera Blue Cross
Monica Cripe, School District benefits broker, Sprague Israel Giles
Linda McDermott, Spokane Public Schools
Elaine Williams, Seattle Public Schools
Molly Ringo, Everett Benefit Trust/Everett School District
Meg Paul, Aon Hewitt
Mark Rose, WA Association of Health Underwriters/The Partners Group
Gary Moore, WEA
Sean White, Mercer Consulting
Rich Dickman, Copper Leaf Consultants
Marie Sullivan, WSSDA
Amy Fleming, PSESD
Christian Dube, IUOE Local 286
Jae Suzuki, Premera Blue Cross
Sean Corry, School District benefits broker, Sprague Israel Giles
Nancy Moffatt, WASBO
Tyler Skillings, PSE SEIU 1948
Sydney Zvara,
Elizabeth Engberg, Kaiser

MEETING SUMMARY:

Introduction

The advisory team is one of four to five teams to inform the HCA throughout the report development process. We are looking to this group for feedback so that the report reflects issues, problems, concerns and opportunities. HCA will be deciding what's in the report. This group is not an oversight group deciding what goes into report, yet is a critical source of input so that the report is accurate and offers the best plan for a potential consolidation.

Data requests with districts have been going well. Almost all districts have responded that they intend to share their data if they haven't yet. We expect a robust database to work from.

Scope of Project/Feedback from Survey on Policy Directions

Richard Onizuka responded to four categories of issues raised in a survey on preferred policy directions completed by each lead representative for organizations on the Advisory Team.

#1 HCA is being narrow in its scope by only considering a consolidated system.

This particular direction is not necessarily narrow—it comes directly from the legislature. HCA was asked specifically to focus on a consolidated system. The language in the budget proviso from the Legislature reads:

- “It is the intent of the legislature to improve the administration, transparency, and equity in delivering a K-12 employees’ health benefits system.”
- “To further this legislative intent, the state health care authority shall develop a plan to implement a consolidated health benefits system for K-12 employees for the 2013-14 school year.”

This project is not a study. HCA vetted the project scope with legislators to ensure we were clear on the intent and expectations for the report. The project scope is to develop an action plan and implementation plan for a consolidated K-12 school employees' health benefits system.

#2 HCA is not taking into account the potential impacts at the individual district, bargaining unit, and employee level and whether these entities will be compensated for lost benefits or increased costs. HCA was directed to do a comparison of the proposed consolidated program to the current K-12 system in terms of the anticipated positive and negative impacts of moving to a consolidated approach. The project scope outlines that this be done at the aggregate level.

Washington State has 295 districts, each with local collective bargaining agreements. HCA recognizes that those agreements would be impacted, although it's not the intent of the project to focus on those. This project will do as much as possible to identify what those impacts might be so legislators know what they are. We'll also provide information about potential changes in state law that could be required.

The impact analysis will cover three major topics as outlined in the scope—equity, transparency, and cost effectiveness and administration efficiency. (See the K-12 project website documents page for a document with definitions)

#3 HCA needs to report cost of shift to a consolidated system.

We've had good response to disclosure requests, which will help us do this. Still, the short timeframe and limitations to the extent we'll have complete data limits the ability to do a full cost analysis. As we receive data, we plan to continue the analysis as we go into legislative session after the report is delivered.

#4 Governance structure is a big question in terms of composition and authority of a governing board. Establishing an appropriate and effective governance structure will be a challenge. Governance structure will determine the balance of policymaking and program management roles and responsibilities of the State, school districts and local bargaining units. Differences in local practices make consolidation complex—some districts policies will be restricted while other districts would be required to liberalize their policies.

HCA intends to design a proposal that maintains the school districts as the employer and a State/Local shared responsibility for benefits funding, policymaking, and program management. Establishing a governing board with heavy representation of local school officials and employee representatives will facilitate transition of some policy and program management responsibilities from the individual school district level to the system-wide board level while retaining a high level of local involvement in decision authority (example: benefit plan design, eligibility criteria, carriers).

Some Advisory Team members responded to this discussion with the desire to have an opt-out model. One union representative noted that certain union members have traded salary increases for benefits in bargaining. Should those members no longer be eligible or able to afford benefits under a consolidated system, someone would need to pay for salary increases as an offset.

Report Timing and Update

November will be focused on report writing. Energy will also be focused on ensuring HCA has as much data as possible to do an objective analysis and create a solid plan. The Project Team will stay in touch with the Advisory Team as drafts of the report are developed. HCA is current using data in hand to create

a baseline model. At the next meeting, more detail about policy decisions will be available along with a preliminary model. I

On December 1 when the report is sent to OFM, it's no longer HCA's report. The Advisory Team will have opportunities to react to the report in November, but needs to understand that the OFM could change it before gets to the legislator on December 15.

Model Directions

Based on our analysis and the last Advisory Team meeting, HCA has decided against recommending K-12 school employees be integrated into the PEBB program. Instead, we will create a stand-alone purchasing strategy that HCA administers. We are creating a baseline model, and will continue the modeling process until we have a balanced, cost-neutral plan that maintains the state allocation funding formula and increases transparency and equity. We may recommend that the amount allocated by the state is increased.

In modeling, we're looking at the total cost of the current system—including local contributions (e.g., levies), state allocations, employee contributions—and looking to develop a purchasing strategy that maintains this same total cost. Impacts on school districts will be different. This report will present a plan for a consolidated system and the impacts of this change at the aggregated level, not at the district level. However, we intend to include enough information so that districts can determine how the change would affect them.

Advisory Team members are concerned that the team does not have sufficient representation from smaller districts. HCA is working with WASBO to identify smaller districts with which we can have conversations and survey policy preferences within the context of a consolidated system. Unfortunately, the time and resources are not available to engage all 295 school districts.

HCA is looking at retirees. The primary focus is on pre-Medicare retirees. Retired teachers now in PEBB are treated as if active employees. They are in the same pool with the same access and portfolio and premium structure. Moving retirees into a separate consolidated system would have impact on the PEBB pool.

Governance

John Williams, HCA Deputy Administrator, discussed three existing models for program governance—those for Washington State's Public Employee Benefits Board (PEBB) which provides health benefits for all employees of the State, the Oregon Educators Benefits Board (OEBB), and a summary of governing body attributes of several Washington State K-12 school districts in aggregate. In addition to a review and comparison of the governing models, potential ideas for an independent governance structure of a K-12 consolidated health benefits system were also discussed. Advisory Team members made the point that it would be ideal to have a balanced board like Oregon's, and that it is important to have people on the board who interact with those who are governed by the board.

Baseline Cost Modeling

Tim Barclay presented aggregated data that is serving as the foundation of a baseline cost model. It was acknowledged that consolidation would result in cost shifting—i.e., if the system offered more equitable coverage for dependents, that may mean increased costs for FT individual employees, or it may mean reducing the richness of the plan.

A consolidated system would change how pooling functions. Right now it creates a distortion between employees and dependents, which the system would aim to mitigate. The goal at the end of the modeling process is to have a purchasing strategy that maintains the state contribution but improves equitability and transparency and roughly outlines who is likely to be impacted by the strategy's implementation.

After using the best data available and drawing on the input of this team and others, we will have a recommendation for the legislature of where we would start. We fully expect that after the report is delivered, the legislature will come to us and ask, "What will happen if we change what you propose in this or that way?" Keep the data coming to HCA so that we can be prepared to respond accurately.

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